

PRESS RELEASE

Frankfurt am Main, 3 October 2010

Page 1 of 3

HRE – Split-off to FMS Wertmanagement successful

The comprehensive split of non-strategic business lines and risk assets from the Hypo Real Estate Group (HRE) to FMS Wertmanagement, the Abwicklungsanstalt of HRE has been successfully completed. Overall, HRE transferred assets with a nominal amount of about 173 billion Euro (the final valuation on the cut-off date 30 September 2010 will result in a different aggregate amount). In addition, derivatives have been transferred, the majority of which will serve to hedge the transferred assets against interest rate risks. The split-off is an important milestone within the restructuring of HRE. Deutsche Pfandbriefbank, which is responsible for the operational business, can now focus on its core business of real estate and public finance in Germany and other European countries.

FMS Wertmanagement, which has been established for the purposes of winding down its exposures, will liquidate the transferred exposures based on economic principles i.e. minimising losses and realising earnings opportunities. The wind down plan (Abwicklungsplan) has been developed with a life span of ten years. This timeframe enables the board of FMS Wertmanagement to dispense the portfolio without any time constraints and at economically favourable points in time, thereby obtaining, in the interest of the tax payer, the best possible conditions and terms. Furthermore, this approach ensures that the interests of the affected customers can be considered in an appropriate way. Only a certain part of the transferred non-strategic business lines is subject consists of non performing exposures. All expected losses are covered by equity in an amount of up to 3.87 billion Euro. During the winding down process, FMS Wertmanagement will also benefit from impairment provisions and loss accruals in respect of the portfolio.

Out of the committed and extended overall guarantee facility of 40 billion Euro, HRE has drawn 3.5 billion to ensure ongoing liquidity plus a further precautionary drawing of 20 billion Euro, which has been deposited with the German central bank (Deutsche Bundesbank), to address operational risks deriving from the transaction process. The bonds guaranteed by the German Financial Market Stabilisation Fund (SoFFin), and issued by HRE for its funding, in an amount of about 124 billion Euro have been completely transferred to FMS Wertmanagement. Such

Federal Agency for Financial Market Stabilisation

Taunusanlage 6, 60329 Frankfurt am Main

Phone: +49 (0) 69 2388-3000, Fax: +49 (0) 69 9566-509090

bonds will be phased out by the middle of next year and replaced by issuances of FMS Wertmanagement which do not feature Financial Market Stabilisation Fund (SoFFin) guarantees. After the finalisation of the split-off, it is expected that HRE will not require further guarantees but rather re-finance its new business independently. The overall fees earned on the provisions of guarantees by the Financial Market Stabilisation Fund (SoFFin) amount to 1.5 billion Euro as of 30 September 2010, whereby 690 million Euro of such sum are attributable to HRE.

"With the successful transfer of the assets we have successfully conducted a transaction which is unique with respect to its complexity and its character. With this step, the restructuring of HRE obtains a clear shape. It has been a bumpy road, but we have to record that a breakdown of HRE in 2008 would have caused an immeasurable higher damage. Also, a liquidation of the entire institution would have multiplied the losses for the tax payer", said Dr. Hannes Rehm, speaker of the Management Committee (Leitungsausschuss) of the Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung).

The process is subject to the final state aid decision by the EU-Commission which is expected in the first quarter of 2011.

Information for the editorial departments:

SoFFin and FMSA

The Financial Market Stabilisation Agency (FMSA) manages the Financial Market Stabilisation Fund (SoFFin). It has been given the name "Financial Market Stabilisation Fund" as per its objective and because of the limited period of time it will be in operation. The fund was created on 17 October 2008 under the German Financial Market Stabilisation Act.

FMS Wertmanagement

FMS Wertmanagement has been established on 8 July 2010 as bad bank of the HRE. In order to stabilise the HRE and the financial market as a whole, FMS Wertmanagement has taken over from HRE risk assets and non-strategic business lines. FMS Wertmanagement will wind down these assets in a controlled manner. For this purpose, FMS Wertmanagement has been equipped with equity. In addition, the Financial Market Stabilisation Fund (SoFFin) is under an obligation to inject further funds (Nachschusspflicht) pursuant to § 8a German Financial Market Stabilisation Fond Act (Finanzmarktstabilisierungsfondsgesetz).

For further questions, please contact:

Kirsten Bradtmöller

Federal Agency for Financial Market Stabilisation
– Financial Market Stabilisation Agency –
Head of Planning & Support and Public Relations
Phone: (0 69) 2388 3009
E-Mail: kirsten.bradtmoeller@soffin.de

Madleen Petschmann

Federal Agency for Financial Market Stabilisation
– Financial Market Stabilisation Agency –
Planning & Support and Public Relations
Phone: +49 (0) 69 2388 3008
E-mail: madleen.petschmann@soffin.de